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C O N F I D E N T I A L ANKARA 006150

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TREASURY FOR OTI - RLOEFFLER AND JSERAFINI
JUSTICE FOR AMLS AND OPDAT/ALEXANDER

E.O. 12958: DECL: 10/27/2016

TAGS: [KTFN](#) [EFIN](#) [TU](#) [IZ](#)

SUBJECT: TURKISH FINANCE MINISTER ON AL-QADI, TERRORISM
FINANCE AND COUNTERFEIT IRAQI CIGARETTES

REF: A. ANKARA 5952

[1](#)B. ANKARA 5944

Classified By: Ambassador Ross Wilson for reasons 1.4(b) and (d).

This is an action request. See paragraph 9.

[1](#)1. (C) Summary: Meeting with Ambassador, Minister of Finance Unakitan vowed rapid implementation of the law reforming Turkey's Financial Intelligence Unit, with an eye to better compliance with FATF recommendations. Unakitan was open to a USG workshop on listing and de-listing, and in general to working with post's new Resident Legal Advisor. With regard to the UN-designated terrorist financier Yasin al-Qadi, Ambassador stressed Turkey's obligations under UN Security Council Resolutions and pointed out that strong cooperation with the international community on counterterrorism could help Turkey elicit better cooperation against the PKK. Unakitan again complained about counterfeit cigarettes entering Turkey from northern Iraq and pressed for U.S. help with Barzani on the issue. Post requests Washington and Baghdad look into the cigarette issue. End Summary.

Rapid Implementation Expected for FIU Legislation

[1](#)2. (C) In response to the Ambassador's concerns about Turkey's terrorism finance regime, Unakitan said that President Sezer had signed long-awaited legislation on Turkey's Financial Intelligence Unit (FIU) into law. In addition to reorganizing MASAK, Turkey's FIU, on functional lines, the law broadens the universe of entities subject to "know-your-customer" rules, and provides immunity from prosecution for filers of suspicious transaction reports. While congratulating the Minister, Ambassador asked about how quickly and effectively the law would be implemented. Unakitan responded that MASAK had begun training workshops for other agencies, banks and other private entities before the law had been passed and he expected implementation to be very quick. MASAK was also working on implementing regulations.

Unakitan Receptive to Resident Legal Advisor

13. (C) Ambassador told Unakitan about the recent posting to Ankara of a Resident Legal Advisor (RLA) and offered the RLA's help in implementing the MASAK law and in working with Turkey on its compliance with Financial Action Task Force (FATF) recommendations. Unakitan appreciated the offer and said if the RLA identifies areas for improvement he would be open to hearing them. He asked that any problems be brought to his attention, and agreed with the Ambassador's suggestion we raise these issues first with the MASAK President, then with Unakitan himself.

Al-Qadi and Listing/De-listing

14. (C) The Ambassador raised the the Yasin al-Qadi case, emphasizing Turkey's obligations under UN Security Council Resolutions. The Ambassador made the broader point that by cooperating fully with the international community's counterterrorism regime, Turkey may be able to use that same regime against the PKK. The Ambassador also pointed out that the UN listing system freezes assets of those suspected of financing terrorism and that there is a mechanism to de-list people if the charges can be shown to be false. Given that several Turkish officials are interested in this topic, the Ambassador said the RLA is working on bringing experts from the U.S. and the UN to explain how this system works, including how to balance due process with the need to cut off terrorism financing.

15. (C) Unakitan took the point about using international counterterrorism mechanisms against the PKK. He was also open to the idea of listening to U.S. experts. On the al-Qadi case, his only comment was to hark back to the Turkish Finance Inspectors' investigation of al-Qadi --

initiated under the previous government -- which he said was "very sensitive." The case had been referred to the prosecutor who judged the evidence insufficient to file charges. He said his ministry had done everything in accordance with the law. Comment: Unakitan failed to mention that the al-Qadi investigation in Turkey, initiated in part due to U.S. interest, had been bottled up by Unakitan himself, probably out of fear of what it would reveal about Unakitan's own ties to Islamist financiers when he was a director of Albaraka Turk Bank, or possible corruption in that capacity. The chief investigator in this case was later transferred, and the investigator tells us he continues to be harassed by Unakitan appointees. End Comment.

Counterfeit Cigarettes from northern Iraq

16. (C) Reminding the Ambassador that he has raised this issue several times with senior U.S. officials, Unakitan launched into an impassioned complaint about counterfeit cigarettes flowing into Turkey from northern Iraq. Unakitan stressed that the production and export to Turkey is controlled by "Barzani" and that Unakitan believes Barzani would stop if the U.S. told him to. He also suggested that some of this illicit trade could be financing the PKK. Comment: The Turkish state incurs financial losses from this counterfeit trade in two ways: from lost tax revenue and lost sales from Turkey's state-owned tobacco company. This company's lower sales also make it harder to privatize. End Comment. Unakitan pointed out that many of the cigarettes are Philip Morris brands such as Marlboro. The Government had instituted an anti-counterfeit system for cigarette packaging but Unakitan said this was not sufficient.

7.(C) When the Ambassador asked whether the GOT had raised the issue with the Iraqis, Unakitan said the Turkish Embassy was stuck in its compound but that he had raised it with Jafari and the then Finance Minister when they came to Ankara. The Ambassador urged the Minister to raise the issue with the current Iraqi government but also undertook to pass

Turkey's concerns to Washington. Meanwhile, Unakitan's staff will supply us with more information.

Withholding Tax

8.(C) Ambassador expressed appreciation for the Government's decision to eliminate the withholding tax on financial instruments, in keeping with the recommendations of U.S. investors, including the one American company with a brokerage in Turkey.

Action Request

19. (C) Post requests the Department and Embassy Baghdad look into the counterfeit cigarette issue. If, as Unakitan alleges, elements close to Barzani are managing a criminal enterprise that is hurting Turkey, at a minimum we need to examine the issue. Doing so would also be consistent with the President's commitment to work trilaterally on Iraq, especially given that illicit cigarette sales could be a source of funding for PKK terror attacks in Turkey.

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